

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

LUNA PIER HOUSING COMMISSION

Financial Statements

June 30, 2005

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

## TABLE OF CONTENTS

	<u>Page</u>
Management Discussion and Analysis	i
Independent Auditor's Opinion	ii
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Assets	2
Statement of Revenues, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
 <u>SUPPLEMENTAL DATA</u>	
Combining Balance Sheet	10
Combining Statement of Income and Expenses	11
Status of Prior Audit Findings	12
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>	13
Schedule of Findings and Questioned Cost	14

**LUNA PIER HOUSING COMMISSION**  
**Management Discussion and Analysis**  
**June 30, 2005**

This discussion and analysis of the Luna Pier Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

**Entity-Wide Statements**

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

**Fund Statements**

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Entity-Wide Financial Highlights**

The Commission was awarded the following Federal Assistance:

	<u>Year 2005</u>	<u>Year 2004</u>
Operating Subsidies	\$ 139,797	\$ 137,141
Capital Projects Funds	7,643	170,273

Comparison of the current year to the past and discussion of significant changes as follows:

Cash	\$ 70,628	\$ 116,658
Prepaid Expenses	28,485	44,019
Fixed Assets, net of Depreciation	2,165,884	2,297,797
Net Assets	2,195,846	2,386,183
Total Liabilities	71,879	75,834
Revenues:		
Tenant Revenues	252,466	273,821
HUD Grants	147,440	345,249

	<u>Year 2005</u>	<u>Year 2004</u>
Expenses:		
Administrative	144,458	154,730
Tenant Services	6,831	6,639
Utilities	118,202	111,940
Maintenance & Operations	148,493	146,879
General Expenses	44,807	47,666
Depreciation Expense	145,556	143,248

Our cash position decreased \$ 46,030 as a result of reducing our liabilities by \$ 3,955, purchasing fixed assets in the amount of \$ 12,733, and funding our operations with the balance.

Fixed asset acquisitions included kitchen and bathroom renovations. In addition, we suffered a unit fire as a result of tenant negligence; the insurance proceeds exceeded the current year cost by \$ 8,787.

Net Assets decreased by the amount of loss, \$ 190,337.

HUD grants received are a result of calculations under the Performance Funding System, and Capital grants authorized and obligated during the year. Our operating subsidies remained the same, but we only drew the remaining 2004 Capital Fund Grant in fiscal 2005.

Total operating expenses remained constant; 2004 total expenses were \$ 467,854, and in 2005 \$ 462,791.

The Commission provided the following housing for low to moderately low income families as follows:

	<u>Year 2005</u>	<u>Year 2004</u>
Low Rent Public Housing	102	102

### **General Fund Budgetary Highlights**

The Commission approved an operating budget on March 22, 2004 for the fiscal year ending June 30, 2005, for the Low Rent Program; we amended the budget to more closely reflect operations during the year.

The significant differences between the original and revised budget is as follows:

	<u>Original</u>	<u>Revised</u>
Tenant Revenue	\$ 285,300	\$ 252,300

Decreased due to unit fire and loss of tenant rents during renovations.

	<u>Original</u>	<u>Revised</u>
Utilities	\$ 91,400	\$ 118,250
Water and Gas rate increases during the year.		
Betterments & Additions	\$ 36,590	\$ 9,170
Planned improvements eliminated after fire loss.		
Net Operating Loss	\$ (39,202)	\$ (56,853)
Actual Operating Loss		\$ (50,408)

### **Entity Wide Capital Assets**

At the close of the fiscal year, the Commission had \$ 4,164,218 in capital assets with accumulated depreciation of \$ 1,998,334. This represents \$ 13,643 increase over 2004. Major additions include the following:

Completion of kitchen and bathroom renovations, started in prior year.

### **Commission's Position**

The Commission regrets the fire loss that occurred as a result of a tenant's negligence; however, all repairs have been completed.

We plan on using our 2005 Capital Fund to replace our emergency generator; replace siding on our building, and some unit renovations.

The Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families.

Questions or Comments may be  
directed to:

Della Sudek, Executive Director  
Luna Pier Housing Commission

***John C. DiPiero, P.C.***

Certified Public Accountant

P. O. Box 378  
Hemlock, Michigan 48626  
Tel / Fax (989) 642-2092

Board of Commissioners  
Luna Pier Housing Commission  
10885 Ellen Street  
Luna Pier, Michigan 48157

### **Independent Auditor's Report**

I have audited the financial statements listed in the Table of Contents of the Luna Pier Housing Commission as of and for the year ended June 30, 2005. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Luna Pier Housing Commission as of June 30, 2005, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 21, 2005 on my consideration of the Luna Pier Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Certified Public Accountant

October 21, 2005



LUNA PIER HOUSING COMMISSION  
Statement of Net Assets  
June 30, 2005

ASSETS

C-3080

CURRENT ASSETS

Cash & Cash Equivalents	\$	70,628
Accounts Receivable, (net of Allowance of \$ 1,638)		2,728
Prepaid Expenses		<u>28,485</u>
Total Current Assets	\$	101,841

NON CURRENT ASSETS

Land	\$	159,762
Buildings		3,744,715
Furniture, Equipment- Dwellings		73,773
Furniture, Equipment- Administrative		66,159
Leasehold Improvements		119,809
Accumulated Depreciation		<u>(1,998,334)</u>
Total Non Current Assets		<u>2,165,884</u>

TOTAL ASSETS \$ 2,267,725

LUNA PIER HOUSING COMMISSION  
Statement of Net Assets  
June 30, 2005

**LIABILITIES**

**C-3080**

CURRENT LIABILITIES

Accounts Payable	\$	2,440	
Accrued Liabilities		2,574	
Accounts Payable- Other Government		21,711	
Compensated Absences		12,800	
Tenants Security Deposit		22,513	
Deferred Revenue		3,877	
Other Current Liabilities		<u>910</u>	
<u>Total Current Liabilities</u>	\$		66,825

NONCURRENT LIABILITIES

Compensated Absences		<u>5,054</u>	
<u>Total Liabilities</u>	\$		<u>71,879</u>

**Net Assets:**

Investment in Fixed Assets net of Related Debt	\$	2,165,884	
Unrestricted Net Assets		<u>29,962</u>	
<u>Total Net Assets</u>			<u>2,195,846</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements.

LUNA PIER HOUSING COMMISSION  
Combined Statement of Revenues, Expenses, and Changes in Net Assets  
For the year ended June 30, 2005

	<u>Business Type Activities</u>
<u>OPERATING REVENUE</u>	
Tenant Rental Revenue	\$ 250,185
Tenant Revenue- Other	2,281
HUD Grants	147,440
Interest Income	1,288
Other Income	<u>11,189</u>
 <u>Total Operating Revenue</u>	 \$ 412,383
<u>OPERATING EXPENSES</u>	
Administrative	\$ 144,458
Tenant Services	6,831
Utility Expenses	118,202
Ordinary Maintenance	148,493
General Expenses	<u>44,807</u>
 <u>Total Operating Expenses</u>	 <u>462,791</u>
 <u>Operating Income (Loss)</u>	 \$ (50,408)
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Extra Ordinary Maintenance	\$ (3,160)
Casualty Losses	8,787
Depreciation Expenses	<u>(145,556)</u>
 <u>Total Nonoperating (Expenses)</u>	 <u>(139,929)</u>
 <u>Change in Net Assets</u>	 \$ (190,337)
 Total Net Assets- Beginning	 <u>2,386,183</u>
 Total Net Assets- Ending	 \$ <u>2,195,846</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements.

LUNA PIER HOUSING COMMISSION  
Combined Statement of Cash Flows  
For the Year Ended June 30, 2005

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 271,921
Payments to Suppliers	(338,066)
Payments to Employees	(156,665)
HUD Grants	345,249
Other Receipts (Payments)	<u>10,509</u>
Net Cash Provided (Used) by Operating Activities	\$ (33,297)

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(12,733)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (46,030)
Cash Balance- Beginning of Year	<u>116,658</u>
Cash Balance- End of Year	\$ <u>70,628</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (190,337)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	145,556
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	815
Prepaid Expenses	15,534
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(17,630)
Accrued Liabilities	(1 452)
Accounts Payable-Other Governments	8,593
Accrued Compensated Absences	2,105
Security Deposits	765
Deferred Revenue	<u>2,754</u>
Net Cash Provided by Operating Activities	\$ <u>(33,297)</u>

The Accompanying Notes are an Integral part of the Financial Statements

LUNA PIER HOUSING COMMISSION  
Notes to Financial Statements  
June 30, 2005

NOTE 1: Summary of Significant Accounting Policies

**Reporting Entity-**

Luna Pier Housing Commission, Luna Pier, Michigan, (Commission) was created by ordinance of the city of Luna Pier. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 98-1, 2	Low rent program	102 units
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In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

**Basis of Presentation-**

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## Notes to Financial Statements- continued

### Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

### Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1999, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1999, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements.

### Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

### Assets, Liabilities, and Net Assets-

#### Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash.

The composition of cash is as follows:

Cash:

General Fund Checking Accounts	\$ 70,328
Petty Cash	<u>300</u>
Financial Statement Total	<u>\$ 70,628</u>

Notes to Financial Statements- continued

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash:					
Checking A/C's	\$ 70,328	\$	\$	\$ 70,328	\$ 70,328
Petty Cash	<u>300</u>			<u>300</u>	<u>300</u>
Total Cash	\$ <u>70,628</u>	\$	\$	\$ <u>70,628</u>	\$ <u>70,628</u>

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 159,762	\$	\$	\$ 159,762
Buildings	3,581,860	162,855		3,744,715
Furniture & Equipment-Dwellings	74,042		269	73,773
Furniture & Equipment-Admin	65,825	334		66,159
Leasehold Improvements	<u>269,086</u>		<u>149,277</u>	<u>119,809</u>
	\$ 4,150,575	\$ 163,189	\$ 149,546	\$ 4,164,218
Less Accumulated Depreciation	<u>1,852,778</u>	<u>145,556</u>		<u>1,998,334</u>
	\$ <u>2,297,797</u>	\$ <u>17,633</u>	\$ <u>149,880</u>	\$ <u>2,165,884</u>

Note 4: Prepaid Expenses

Prepaid expenses consist of the following:

Prepaid Insurance	\$ 25,317
Materials Inventory	<u>3,168</u>
	\$ <u>28,485</u>



Notes to Financial Statements- continued

Note 5: Pension Plan

The Commission contributes to a Simplified Employee Pension Plan, (SEPP). The Commission pays 5 % of all eligible employees wages to the fund. Employees are 100 % vested as soon as they are eligible. Eligibility requirements are as follows: full time employee, over 21 years of age, and have worked for the Commission for at least three of preceding five years.

Note 6: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 7: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 8: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 6,973,200
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

## Luna Pier Housing Commission

30-Jun-05

MI-098

	Account Description	Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	<b>ASSETS:</b>			
	<b>CURRENT ASSETS:</b>			
	Cash:			
111	Cash - unrestricted	48,115		48,115
112	Cash - restricted - modernization and developmen		-	-
113	Cash - other restrictec			-
114	Cash - tenant security deposit	22,513	-	22,513
100	Total cash	70,628	-	70,628
	Accounts and notes receivables			
121	Accounts receivable - PHA project			-
122	Accounts receivable - HUD other project			-
124	Accounts receivable - other governmer			-
125	Accounts receivable - miscellaneou	-	-	-
126	Accounts receivable- tenants - dwelling reni	4,366		4,366
126.1	Allowance for doubtful accounts - dwelling reni	(1,638)		(1,638)
126.2	Allowance for doubtful accounts - othe	-		-
127	Notes and mortgages receivable- curren			-
128	Fraud recovery			-
128.1	Allowance for doubtful accounts - fraud			-
129	Accrued interest receivabl			-
120	Total receivables, net of allowances for doubtful account	2,728	-	2,728
	Current investments:			-
131	Investments - unrestrictec	-		-
132	Investments - restrictec			-
142	Prepaid expenses and other asset	28,485	-	28,485
143	Inventories	-	-	-
143.1	Allowance for obsolete inventorie	-	-	-
144	Interprogram - due from	-	-	-
146	Amounts to be providec			-
150	TOTAL CURRENT ASSETS	101,841	-	101,841
	<b>NONCURRENT ASSETS:</b>			
	Fixed assets:			
161	Land	159,762	-	159,762
162	Buildings	3,587,795	156,920	3,744,715
163	Furniture, equipment & machinery - dwelling	71,928	1,845	73,773
164	Furniture, equipment & macinery - admininstratio	66,159	-	66,159
165	Leasehold improvement:	119,809	-	119,809
166	Accumulated depreciator	(1,991,083)	(7,251)	(1,998,334)
160	Total fixed assets, net of accumulated depreciatio	2,014,370	151,514	2,165,884
171	Notes and mortgages receivable - non-curren			-
172	Notes and mortgages receivable-non-current-past du			-
174	Other assets			-
175	Undistributed debit:			-
176	Investment in joint venture:			-
180	TOTAL NONCURRENT ASSETS	2,014,370	151,514	2,165,884
190	<b>TOTAL ASSETS</b>	2,116,211	151,514	2,267,725

	<b>LIABILITIES AND EQUITY:</b>			
	<b>LIABILITIES:</b>			
	<b>CURRENT LIABILITIES</b>			
311	Bank overdraft			-
312	Accounts payable ≤ 90 days	2,440	-	2,440
313	Accounts payable > 90 days past due		-	-
321	Accrued wage/payroll taxes payable	2,574	-	2,574
322	Accrued compensated absence	12,800	-	12,800
324	Accrued contingency liability			-
325	Accrued interest payable			-
331	Accounts payable - HUD PHA program			-
332	Accounts Payable - PHA Project			
333	Accounts payable - other government	21,711	-	21,711
341	Tenant security deposits	22,513	-	22,513
342	Deferred revenues	3,877	-	3,877
343	Current portion of Long-Term debt - capital project		-	-
344	Current portion of Long-Term debt - operating borrowing			-
345	Other current liabilities	910		910
346	Accrued liabilities - other	-		-
347	Inter-program - due to	-	-	-
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>66,825</b>	<b>-</b>	<b>66,825</b>
	<b>NONCURRENT LIABILITIES:</b>			
351	Long-term debt, net of current- capital project			-
352	Long-term debt, net of current- operating borrowing			-
353	Noncurrent liabilities- other	5,054		5,054
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>5,054</b>	<b>-</b>	<b>5,054</b>
300	<b>TOTAL LIABILITIES</b>	<b>71,879</b>	<b>-</b>	<b>71,879</b>
	<b>EQUITY:</b>			
501	Investment in general fixed asset			-
	<b>Contributed Capital:</b>			
502	Project notes (HUD)			-
503	Long-term debt - HUD guarantees	-	-	-
504	Net HUD PHA contributions	-		-
505	Other HUD contributions			-
507	Other contributions	-		-
508	Total contributed capital	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	2,014,370	151,514	2,165,884
	Reserved fund balance			-
509	Reserved for operating activities			-
510	Reserved for capital activities	-		-
511	Total reserved fund balance	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-
512.1	Unrestricted Net Asset	29,962		29,962
513	<b>TOTAL EQUITY</b>	<b>2,044,332</b>	<b>151,514</b>	<b>2,195,846</b>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,116,211</b>	<b>151,514</b>	<b>2,267,725</b>

**Proof of concept**

- - -

## Luna Pier Housing Commission

30-Jun-05

MI-098

Combining Income Statement		Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	<b>REVENUE:</b>			
703	Net tenant rental revenue	250,185		250,185
704	Tenant revenue - other	2,281	-	2,281
705	Total tenant revenue	252,466	-	252,466
706	HUD PHA grants	139,797	7,643	147,440
708	Other government grants			-
711	Investment income - unrestricted	1,288	-	1,288
712	Mortgage interest income	-		-
714	Fraud recovery			-
715	Other revenue	11,189		11,189
716	Gain or loss on the sale of fixed asset			-
720	Investment income - restricted			-
700	<b>TOTAL REVENUE</b>	404,740	7,643	412,383
	<b>EXPENSES:</b>			
	Administrative			
911	Administrative Salaries	76,907	-	76,907
912	Auditing Fees	2,200		2,200
913	Outside management fee			-
914	Compensated absence	2,106		2,106
915	Employee benefit contributions-administrative	39,995	-	39,995
916	Other operating administrative	23,250	-	23,250
	Tenant services			
921	Tenant services - salaries	-	-	-
922	Relocation costs		-	-
923	Employee benefit contributions- tenant services	-	-	-
924	Tenant services - other	6,831	-	6,831
	Utilities			
931	Water	34,043	-	34,043
932	Electricity	38,465	-	38,465
933	Gas	45,694	-	45,694
934	Fuel			-
935	Labor			-
937	Employee benefit contributions- utilities			-
938	Other utilities expense	-		-
	Ordinary maintenance & operations			
941	Ordinary maintenance and operations - labor	77,691	-	77,691
942	Ordinary maintenance and operations - materials & other	10,959	-	10,959
943	Ordinary maintenance and operations - contract cost	18,486	-	18,486
945	Employee benefit contributions- ordinary maintenance	41,357	-	41,357
	Protective services			
951	Protective services - labor			-

952	Protective services- other contract cost	-		-
953	Protective services - othe			-
955	Employee benefit contributions- protective service			-
	General expenses			
961	Insurance premiums	33,709	-	33,709
962	Other General Expense		-	-
963	Payments in lieu of taxes	8,593		8,593
964	Bad debt - tenant rent	2,505	-	2,505
965	Bad debt- mortgages			-
966	Bad debt - other			-
967	Interest expense		-	-
968	Severance expense	-		-
969	<b>TOTAL OPERATING EXPENSES</b>	<b>462,791</b>	<b>-</b>	<b>462,791</b>
970	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	<b>(58,051)</b>	<b>7,643</b>	<b>(50,408)</b>
971	Extraordinary maintenance	3,160		3,160
972	Casualty losses - non-capitalize	(8,787)		(8,787)
973	Housing assistance payment			-
974	Depreciation expense	138,397	7,159	145,556
975	Fraud losses			-
976	Capital outlays- governmental fund	-		-
977	Debt principal payment- governmental fund			-
978	Dwelling units rent expense			-
900	<b>TOTAL EXPENSES</b>	<b>595,561</b>	<b>7,159</b>	<b>602,720</b>
	<b>OTHER FINANCING SOURCES (USES)</b>			
1001	Operating transfers in (out)			-
1002	Operating transfers out			
1003	Operating transfers from/to primary government			
1004	Operating transfers from/to component unit			
1005	Proceeds from notes, loans and bonds			
1006	Proceeds from property sales			
1010	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>
1000	<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES</b>	<b>(190,821)</b>	<b>484</b>	<b>(190,337)</b>

LUNA PIER HOUSING COMMISSION  
Status of Prior Audit Findings  
June 30, 2005

The prior audit of the Luna Pier Housing Commission for the period ended June 30, 2004, contained 4 audit findings; the corrective action taken by the Commission is as follows:

- 1) Tenant Accounting Discrepancies- a review of the tenant files during the current audit did not reveal any discrepancies.
- 2) Uncollateralized Funds- the Commission has reduced the cash balances below FDIC levels.
- 3) Excessive Tenants Accounts Receivable- The Commission has reduced the tenant accounts receivable to an acceptable level.
- 4) No Credit Card Policy- the Commission has adopted an acceptable Credit Card Policy.

LUNA PIER HOUSING COMMISSION  
Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of  
Financial Statements in Accordance with  
*Governmental Auditing Standards*  
June 30, 2005

I have audited the financial statements of Luna Pier Housing Commission, Luna Pier, Michigan, as of and for the year ended June 30, 2005, and have issued my report thereon dated October 21, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Luna Pier Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Luna Pier Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

October 21, 2005

LUNA PIER HOUSING COMMISSION  
Schedule of Findings and Questioned Cost  
June 30, 2005

1) Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Capital Projects Funds		X

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted	_____ Yes	_____ X _____ No
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Reportable condition(s) noted	_____ Yes	_____ X _____ No
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Non Compliance material to financial statements noted	_____ Yes	_____ X _____ No
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Report on compliance for Federal programs-

Unqualified

Material weakness(es) noted	_____ Yes	_____ X _____ No
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Reportable condition(s) noted	_____ Yes	_____ X _____ No
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Non Compliance material to financial statements noted	_____ Yes	_____ X _____ No
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Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	No	None	N/A
Capital Fund Project	No	None	N/A